

Marinette County Fund Balance Policy

General Fund Reserve (Ending Balance)

The Governmental Accounting Standards Board (GASB) has defined and the Marinette County Board has adopted the following categories for fund balances and the following policies regarding those fund balances:

Non-spendable fund balance – amounts that are not in spendable form (such as inventory and prepaid expenses) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by external providers (such as grantors, bondholders, and higher levels of government).

Unrestricted fund balance – amounts that are not Non-spendable or Restricted which are divided into three categories: Committed, Assigned, and Unassigned. In the County's Financial Statements, the Committed and Assigned amounts are shown as Reserves.

General Fund Reserves (Committed and Assigned Fund Balance)

Committed fund balance – amounts constrained to specific purposes by the County Board. To be reported as committed, amounts cannot be used for any other purpose unless the County Board approves the change.

Assigned fund balance – amounts the County intends to use for a specific purpose. Intent can be expressed by the governing body or by the Finance Director with Administrator approval. The essential differences between committed fund balance and an assigned fund balance is that a committed fund balance requires action by the highest approval level – the County Board.

Specific Committed and Assigned Reserves:

- A Fund Balance for Service Level Stabilization (Unrestricted – Committed) will be established in the General Fund not to exceed \$2,000,000. Additions to the Service Level Stabilization Account, from excess revenues over expenditures, will occur when the balance is below the \$2,000,000 level. The Service Level Stabilization Account may be spent to maintain budgeted governmental service levels when legislation limits the County's generation of revenues and other governmental funding sources are reduced or eliminated.

- Other Committed Fund Balances (Unrestricted – Committed) have been and will be established by County Board resolution for specific purposes.
- Other Assigned Fund Balances (Unrestricted – Assigned) have been and will be established per recommendation of the Finance Director and Administrator with Administrative Committee approval.

Use of Reserves:

Unrestricted:

- Committed – Fund Balances may be used only for specific purposes per the County Board resolution
- Assigned – Fund Balances may be used for authorized specific purposes within the assigned categories as recommended by the Finance Director and Administrator with Administrative Committee approval

Restoration of General Fund Reserves:

- If General Fund Reserves are depleted below the levels established by this policy, the County Administrator will develop a plan to restore the balances over a period time with Board approval.
- The restoration plan should include such recommendations for rate/fee adjustments and/or expenditure reductions as may be appropriate.
- The plan for restoration will be reviewed and updated on an annual basis until the policy level guidelines are achieved.

General Fund – Unrestricted Unassigned Fund Balance

Unassigned fund balance – The General Fund, as the principal operating fund of the government, often will have net resources in excess of the categories already described. If there are additional net resources, the surplus is presented as unassigned fund balance. Other funds, by their nature, are established to account for revenues that are expended for specific purposes and therefore do not have unassigned fund balances.

- General Fund Balance in excess of that which is Non-spendable, Restricted, Committed and Assigned at the end of the fiscal year shall be designated as Unassigned.
- Unassigned Fund Balance should be used for non-recurring purposes whenever possible.
- Preference should be given to expenditures that will result in future efficiencies or other cost savings.
- In the event of severe financial stress resulting from unanticipated revenue decreases or expenditure increases, Unassigned Fund Balance may be used to mitigate the negative impact on public services on a short term basis.
- The total General Fund Unassigned fund balance is to be maintained at a level of no less than 17% of total regular general fund operating expenditure to include:
 - Within the Unassigned Fund Balance an amount for Contingencies is to be maintained at a level of no less than 5% general fund operating expenditures.

- Within the Unassigned Fund Balance a reserve for cash flows is to be maintained at a level of no less than one-twelfth of general fund operating expenditures.

Other Operating Fund Reserves

- At a minimum, the Reserves (Unrestricted Balance) of Enterprise Funds should be budgeted at a level of 5 to 15% of regular operating revenues, or no less than one to two months of operating expenditures.
- Similar Reserve (Unrestricted Balance) amounts should be budgeted in other funds (i.e. 1 – 2 months of operating expenditures or an adequate working capital reserve) on a case-by-case basis.
- Fund reserve policy should be linked to a potential increase or decrease of rates/fees if reserve levels reach certain thresholds.

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